

**COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION**

FISCAL NOTE

L.R. No.: 1519-14
Bill No.: Truly Agreed to and Finally Passed SS#2 for SS for SCS for HB 444
Subject: Children and Minors; Gambling; Veterans.
Type: Original
Date: May 27, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Veterans' Commission Capital Improvement Trust	\$3,000,000	\$3,000,000	\$3,000,000
Missouri College Guarantee	\$500,000	\$500,000	\$500,000
National Guard Trust	\$1,000,000	\$1,000,000	\$1,000,000
Early Childhood Development, Education and Care *	(\$4,500,000)	(\$4,500,000)	(\$4,500,000)
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

* Part of this loss would be passed through to local school districts.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government*	\$0	\$0	\$0

*** Part of the loss to the state Early Childhood Development, Education and Care Fund would be passed through to local school districts.**

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Missouri Veterans' Commission (VET)** state this proposal would result in an increase to the Veterans Commission Capital Improvement Trust Fund of \$3 million per year.

Officials from the **Missouri Gaming Commission (GAM)** state this proposal will change the procedure of distributing net proceeds of the Gaming Commission Fund. The bill would have no direct fiscal impact on GAM, but would affect other state funds as follows:

	Estimated Transfers FY 2003	Projected HB 444 Transfers		Net Impact
MO College Guarantee	\$ 4,500,000	\$ 4,500,000	+ \$ 500,000	\$ 500,000
VCCITF	\$ 3,000,000	\$ 3,000,000	+\$3,500,000	\$ 3,500,000
MO National Guard Trust	\$ 3,000,000	\$ 3,000,000	+\$1,000,000	\$ 1,000,000
Early Childhood Dev.	\$33,000,000	\$28,000,000		(\$5,000,000)

TOTAL	\$43,500,000	\$43,500,000	\$ 0
-------	--------------	--------------	------

ASSUMPTION (continued)

GAM states for analysis purposes, they compared the projected FY 2003 transfers of \$43,500,000 with the projected transfers under HB 444 of \$43,500,000. In order to provide a fair comparison, GAM did not analyze modifications of the FY 2004 appropriations in the Gaming Commission Fund that could impact the net proceeds to be transferred.

Officials from the **Department of Elementary and Secondary Education (DESE)** states this proposal would have the following fiscal impact to the various funds;

	Transfers FY 2002	Base HB 444 Transfers	2 nd Tier Transfers	Net Impact
MO College Guarantee	\$ 4,500,000	\$ 4,500,000	+ \$ 416,288	\$ 416,288
VCCITF	\$ 3,000,000	\$ 3,000,000	+\$2,497,730	\$ 2,497,730
MO National Guard Trust	\$ 3,000,000	\$ 3,000,000	+\$ 832,577	\$ 832,577
Early Childhood Dev.	\$31,746,595	\$28,000,000	0	(\$3,746,595)
TOTAL	\$42,246,595	\$38,500,000	\$3,746,595	\$ 0

DESE states that with the FY 2002 distributions, there would not be sufficient proceeds remaining after the initial distribution to the four funds to distribute the full \$4.5 million of 2nd Tier transfers. Therefore, DESE assumes the remaining balance (after the first \$38.5 million) would be distributed on a pro-rata basis.

DESE states that monies deposited into the ECDEC fund are appropriated to DOS and DESE. Of the first 60% appropriation, 20% goes to DOS and 80% goes to DESE. DESE uses the ECDEC monies to fund First Steps, Parents as Teachers, and DESE school linked programs. A \$3,746,595 reduction in the amount of annual deposits into the ECDEC fund would mean a reduction of \$1,798,366 (i.e. \$3,746,595 x 60% x 80%) per year to these programs.

In response to similar legislation from this year, officials from the **Department of Social Services (DOS)** stated the proposal would decrease the funding to the ECDEC that now would go to the Veterans' Commission Capital Improvement Trust Fund and the National Guard Trust Fund, as well the Missouri College Guarantee Trust Fund. Therefore, DOS estimates a decrease in funding to ECDEC fund.

DOS stated that without replacement funding, this proposal would decrease their ability to fund four grant programs that receive this money, including start-up / expansion grants for early childhood programs, certificates to low income families for early childhood education, subsidies

ASSUMPTION (continued)

for accredited facilities, and certificates to enable low income stay at home parents, with children under age 3, to take advantage of early childhood education programs.

Officials from the **Department of Public Safety - Office of the Adjutant General** state this proposal will result in an additional \$1 million in revenue and will bring some relief to the Military Honors program as well as the Tuition Assistance Program.

In response to similar legislation from this year, officials from the **Office of Administration - Budget and Planning (BAP)** stated that all ECDEC funds have been appropriated in past fiscal years. Therefore, should this measure pass, it will be necessary for a substantial pick-up of costs by the general revenue fund if the various early childhood programs are to continue.

Oversight assumes that the correct interpretation of “remaining net proceeds” is the proceeds remaining in the Gaming Commission Fund **after** the distributions to the Missouri College Guarantee Fund (\$4,500,000), the Veterans’ Commission Capital Improvement Trust Fund (\$3,000,000), and the Missouri National Guard Trust Fund (\$3,000,000). In FY 2002, the amount transferred to these three funds plus the ECDEC fund, according to the Gaming Commission annual report, was \$41,766,434. However, utilizing GAM’s projections for FY 2003 of \$43.5 million would result in remaining net proceeds of \$5 million (\$43,500,000 - \$4.5 million (MO College) - \$3 million (VCCITF) - \$3 million (National Guard) - \$28 million (ECDEC)) after all of the initial distributions. Of this amount, \$500,000 would go into the Missouri College Guarantee Fund, \$3,000,000 would go into the Veterans Commission Capital Improvement Trust Fund, and \$1,000,000 would go into the Missouri National Guard Trust Fund, each subject to appropriation. The ECDEC Fund would receive all of the proceeds after these distributions. For purposes of this fiscal note, Oversight assumes the proceeds into the Gaming Commission Fund will remain stable.

Oversight assumes any positive fiscal impact realized by the Missouri College Guarantee Fund, the VCCITF and the National Guard Trust Fund as a result of this proposal would be offset by a reduction to the ECDEC Fund. This would result in a net zero impact to state funds, however, the local school districts would realize a decrease in funding from the proposal. Oversight has not reflected this loss at the local level.

ASSUMPTION (continued)

Using GAM's estimate for FY 2003 of \$43.5 million, **Oversight** assumes the proposal would have the following impact:

	Base distr Per this bill	Dist of net proceeds > \$28 mil.	Total distr. per this bill	Transfers without this bill	Variance
VCCITF	3,000,000	\$3,000,000	6,000,000	3,000,000	\$ 3,000,000
MNGTF	3,000,000	\$1,000,000	4,000,000	3,000,000	\$ 1,000,000
MCGF	4,500,000	\$ 500,000	5,000,000	4,500,000	\$ 500,000
ECDEC	28,000,000	\$ 500,000	28,500,000	33,000,000	(\$4,500,000)

This proposal should have no impact to Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST			
<u>Income</u> - Increased distribution from the Gaming Commission Fund	<u>\$3,000,000</u>	<u>\$3,000,000</u>	<u>\$3,000,000</u>
ESTIMATED NET EFFECT TO THE VETERANS' COMMISSION CAPITAL IMPROVEMENT TRUST	<u>\$3,000,000</u>	<u>\$3,000,000</u>	<u>\$3,000,000</u>

**MISSOURI COLLEGE
GUARANTEE FUND**

<u>Income</u> - Increased distribution from the Gaming Commission Fund	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>
---	------------------	------------------	------------------

ESTIMATED NET EFFECT TO THE MISSOURI COLLEGE GUARANTEE FUND	<u>\$500,000</u>	<u>\$500,000</u>	<u>\$500,000</u>
--	-------------------------	-------------------------	-------------------------

**MISSOURI NATIONAL GUARD
TRUST FUND**

<u>Income</u> - Increased distribution from the Gaming Commission Fund	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>
---	--------------------	--------------------	--------------------

ESTIMATED NET EFFECT TO THE MISSOURI NATIONAL GUARD TRUST FUND	<u>\$1,000,000</u>	<u>\$1,000,000</u>	<u>\$1,000,000</u>
---	---------------------------	---------------------------	---------------------------

**EARLY CHILDHOOD
DEVELOPMENT, EDUCATION AND
CARE FUND**

<u>Loss</u> - More of the proceeds from the Gaming Commission Fund being allocated to the VCCITF, MCGF and MNGTF	<u>(\$4,500,000)</u>	<u>(\$4,500,000)</u>	<u>(\$4,500,000)</u>
---	----------------------	----------------------	----------------------

RAS:LR:OD (12/02)

**ESTIMATED NET EFFECT TO THE
EARLY CHILDHOOD
DEVELOPMENT, EDUCATION AND
CARE FUND**

(\$4,500,000) **(\$4,500,000)** **(\$4,500,000)**

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal changes the distribution of excess moneys in the Gaming Commission Fund each year.

Under current law, excess moneys are distributed in total as follows:

- \$3 million to the Veterans' Commission Capital Improvement Trust Fund;
- \$4.5 million to the Missouri College Guarantee Fund;
- \$3 million to the Missouri National Guard Trust Fund; and
- \$27 million to the Early Childhood Development, Education and Care Fund.

Any funds remaining after all the distributions are transferred to the Early Childhood Development, Education and Care Fund.

Under the provisions of the proposal, if the total proceeds of the fund is \$43 million or more, the total distribution for each fund will be as follows:

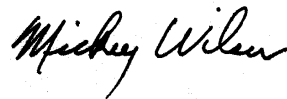
- \$6 million to the Veterans' Commission Capital Improvement Trust Fund;
- \$5 million to the Missouri College Guarantee Fund;
- \$4 million to the Missouri National Guard Trust Fund; and
- \$28 million to the Early Childhood Development, Education and Care Fund.

Any funds remaining after all the distributions will be transferred to the Early Childhood Development, Education and Care Fund.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Elementary and Secondary Education
Department of Social Services
Missouri Gaming Commission
Missouri Veterans' Commission
Office of Administration - Budget and Planning
Department of Health and Senior Services
Office of the Adjutant General



MICKEY WILSON, CPA
DIRECTOR
MAY 27, 2003